

## Message Text

SECRET

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
----- 113949

O 241951Z NOV 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 8112

S E C R E T SECTION 01 OF 02 LONDON 19060

STADIS////////////////////////////////////

EXDIS

FROM UNDER SECRETARY ROGERS

E.O. 11652: GDS

TAGS: ENRG, EEC, FR

SUBJECT: OPEC PRICE DECISION

REF: STATE 280066

1. SUMMARY. IN NOVEMBER 22 DISCUSSION WITH FROMENT-MEURICE ON STEPS WE HAVE TAKEN TO AFFECT OPEC PRICE DECISION, I DESCRIBED ECONOMIC ANALYSES WE HAVE MADE AND MENTIONED OUR APPROACHES TO: (1) OTHER DEVELOPED, CONSUMER COUNTRIES; (2) OPEC COUNTRIES; AND (3) CERTAIN DEVELOPING COUNTRIES. FROMENT-MEURICE SAID THAT GIVEN FRANCE'S OWN SERIOUS ECONOMIC SITUATION AND DETERMINED FIGHT AGAINST INFLATION, ANY INCREASE IN OIL PRICE WOULD BE A CAUSE FOR GREAT CONCERN. DESPITE ITS EFFORTS AT CONSERVATION AND USE OF ALTERNATE SOURCES OF ENERGY, FRANCE IS ONE OF WE COUNTRIES MOST DEPENDENT ON OIL. IN ANY APPROACH TO OPEC COUNTRIES, GOF PREFERS DIALOGUE TO CONFRONTATION AND, IF DEMARCHE MADE, IT WOULD BE ON BASIS FRENCH ANALYSIS OF ITS OWN SITUATION AND TAILORED FOR EACH COUNTRY TO WHICH DEMARCHE MIGHT BE MADE. HE AGREED WE SHOULD CONTINUE TO CONSULT. END SUMMARY.

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2. ECONOMIC STUDY. I TOLD FROMENT-MEURICE THAT WE HAD

PUT TOGETHER A CAREFUL ANALYSIS OF THE IMPACT OF VARIOUS OIL PRICE INCREASES ON THE ECONOMIES OF DEVELOPED AND DEVELOPING COUNTRIES. THE GNP, INFLATION RATES AND UNEMPLOYMENT RESULTS WOULD BE PUBLISHED SHORTLY, BUT IN AGGREGATE, NOT COUNTRY-BY-COUNTRY. I PROMISED I WOULD GET COPY TO HIM SOONEST.

3. OPEC APPROACHES AND REACTIONS. I SAID WE HAD COMMUNICATED OUR CONCERN AT THE IMPACT OF A PRICE RISE TO ALL OPEC COUNTRIES. THE SUBSTANCE OF OUR APPROACH HAS BEEN TO DESCRIBE FINANCIAL AND MONETARY IMPLICATIONS OF ANY OIL PRICE RISES, WITH SPECIAL REFERENCE TO EXTREMELY ADVERSE IMPACT ON LDC CREDIT SITUATION AND TO UNDERLINE SOME POLITICAL DIMENSIONS IN US, WHERE OIL PRICE WOULD COME ON THE VERY EVE OF A NEW ADMINISTRATION. OUR APPROACHES HAD BEEN DISCREETLY INCONSPICUOUS. AND SO THE OPEC MEMBERS' RESPONSES HAD BEEN ONE OF INTEREST, AND DISTINCTLY NOT PETULANT.

4. FRENCH POSITION. FROMENT-MEURICE SAID THERE IS GROWING CONCERN IN GOF AS OPEC MEETING APPROACHES. GOF IS ALSO IN DIFFICULT ECONOMIC PERIOD. THE FIGHT AGAINST INFLATION IS THE CORNERSTONE OF CURRENT POLICY. ANY INCREASE IN OIL PRICE WOULD BE MOST WORRISOME, ESPECIALLY SINCE FRANCE IS ONE OF WESTERN EUROPEAN COUNTRIES MOST DEPENDENT ON OIL, DESPITE ITS EFFORTS TO CONSERVE AND USE ALTERNATE ENERGY SOURCES. WHILE DECISION REMAINS TO BE MADE ON ANY DIRECT FRENCH DEMARCHE TO THE OPEC MEMBERS, THEY HAVE BEEN THINKING THAT PRESENT PERIOD MIGHT BE THE RIGHT MOMENT. SUCH APPROACH WOULD BE BASED ON THEIR OWN ANALYSIS OF FRENCH SITUATION, DESCRIBING THE VERY BAD EFFECT OF OIL PRICE INCREASE ON THEIR OWN ALREADY SERIOUS TRADE DEFICITS. THEY HAD WANTED TO SEE WHAT US HAD TO SAY AND TO COMPARE NOTES WITH UK AND FRG. HE MENTIONED UPCOMING EC SUMMIT MEETING NEXT WEEK. GOF EFFORT HAS BEEN TO REDUCE THE PUBLIC DRAMA OF THE SITUATION AND TO AVERT A SENSE OF CONFRONTATION.

5. NEXT STEPS? I SAID WE PLANNED TO CONTINUE OUR  
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DIALOGUE ON ALL THREE FRONTS, IN LOW KEY AND AWAY FROM THE PUBLIC EYE. WE BELIEVED SEVERAL OPEC MINDS ARE STILL NOT MADE UP, AND THE POSSIBILITIES FOR EVENTUAL OPEC SCENARIOS OPEN. OUR ARGUMENT REVOLVES AROUND

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 8113

S E C R E T SECTION 02 OF 02 LONDON 19060

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IMPORTANCE OF HOLDING LINE ON OIL PRICES AT THIS TIME.  
FROMENT-MEURICE SAID HE WELCOMED THE INFORMATION ABOUT  
OUR EFFORTS, AND AGREED THAT WE STAY IN CLOSE TOUCH IN  
THE FOUR WEEKS AHEAD. HE WANTS OUR ECONOMIC ANALYSIS  
AND WILL URGE THAT FRANCE'S REPRESENTATIONS BE AS CON-  
SISTENT WITH OUR OWN AS POSSIBLE.

6. OPEC-CIEC LINKAGE. IN RESPONSE TO FROMENT-MEURICE'S  
QUESTION, I SAID WE DID NOT RAISE THE NORTH-SOUTH  
DIALOGUE IN OUR OPEC DEMARCHES, TAKING THE VIEW THAT  
OUR CIEC PROPOSALS MUST BE JUDGED ON THEIR OWN MERITS.  
FROMENT-MEURICE, REFERRING SPECIFICALLY TO HIS RECENT  
VISIT TO TEHRAN WITH PRESIDENT GISCARD, SAID IN IRAN  
THE LINKAGE TO CIEC IS VERY CLEAR, AND HE FEARS THAT  
THE IRANIANS MIGHT BE TEMPTED TO CITE THE G-8 RECORD IN  
CIEC AS JUSTIFYING OPEC OIL PRICE INCREASES. HE SAID  
FRENCH FULLY ON BOARD AS TO DESIRABILITY OF KEEPING  
OPEC AND CIEC ISSUES COMPLETELY SEPARATE, IF AT ALL  
POSSIBLE. HE EXPRESSED CONCERN ABOUT PRESENT CIEC  
DISARRAY AND OFFERED HIS OWN VIEW THAT PERHAPS DELAY OF  
DECEMBER MINISTERIAL WOULD BE PREFERABLE TO FAILURE.

7. AVOIDANCE OF PUBLIC STATEMENTS. IN RESPONSE TO MY  
OBSERVATION THAT USG WOULD WELCOME ANY SUGGESTIONS AS  
TO WHAT ELSE WE MIGHT DO WITH RESPECT TO THE OIL PRICE  
ISSUE, FROMENT-MEURICE REITERATED WHAT HE HAD ALREADY  
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MENTIONED SEVERAL TIMES BEFORE, VIZ., THE DESIRABILITY OF KEEPING ALL APPROACHES IN LOW KEY AND ON STRICTLY PRIVATE BASIS, AND ABOVE ALL THE DESIRABILITY OF AVOIDING DRAMATIC PUBLIC STATEMENTS. THESE, HE SAID, SIMPLY MAKE ANY APPROACHES BY OTHERS MORE DIFFICULT AND LESS LIKELY.

ARMSTRONG.

SECRET

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## Message Attributes

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